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PAYROLL BULLETIN  
(8-86)

TO: All State Agencies, Departments, Boards, Commissions  
and Universities

SUBJECT: Computation of Social Security and Medicare Taxes  
Beginning with Calendar Year 1987 Wages

Beginning with any payrolls which will represent 1987 wage payments, the computation of Social Security and Medicare taxes will change. Exclusions from Social Security taxes will include nontaxable benefits (State sponsored group and dental insurance) and any flexible spending deductions such as the State's Dependent Care Assistance program which will become effective beginning with 1987 wage payments.

For those employees who are subject to Social Security or Medicare withholding tax, the formula to arrive at the wages subject to this tax is as follows:

|  | <u>New Voucher<br/>Column</u> |
|--|-------------------------------|
| Gross Wages  | 11                            |
| <u>Plus:</u> Applicable portion of other compensation subject to withholding such as vehicle usage income. | 54                            |
| <u>Less:</u> Non taxable benefits (State sponsored group health and dental insurance).                     | 51                            |
| <u>Less:</u> Flexible spending account deductions such as Dependent Care.                                  | 86                            |